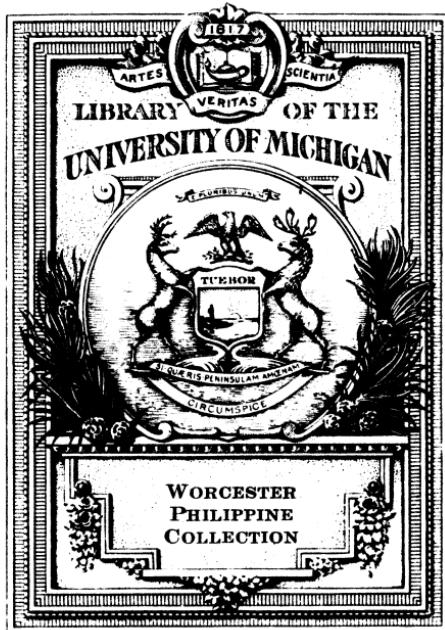


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REPORT
OF
CIVIL GOVERNOR
FOR
YEAR ENDING OCT. 1, 1902



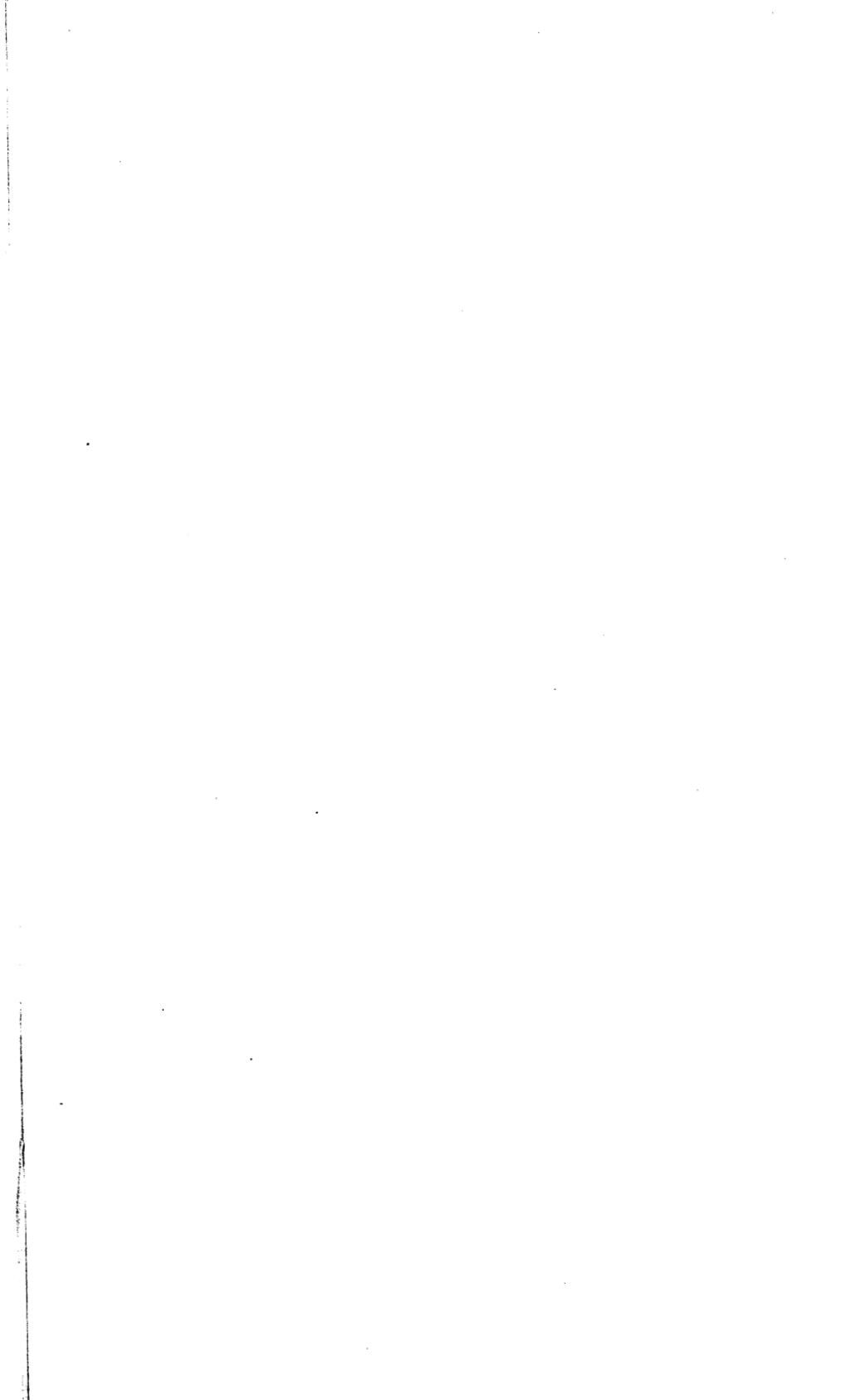
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Dear Dr. Worcester



REPORT
OF THE
CIVIL GOVERNOR OF THE PHILIPPINE ISLANDS

TO THE
PHILIPPINE COMMISSION

FOR THE

YEAR ENDING OCTOBER 1, 1902.

MANILA:
BUREAU OF PUBLIC PRINTING.
1902.

REPORT
OF THE
CIVIL GOVERNOR.

MANILA, November 1, 1902.

GENTLEMEN: I have the honor to submit a report to you on the general conditions in the Islands and in respect to the Bureaus which by law are under my direct supervision, as well as those which are in the Department of Commerce and Police, and which, in the absence on leave of Vice-Governor Wright, the Secretary of Commerce and Police, are temporarily also under my supervision. The report of the Commission of last year upon the subjects treated in this report covered a period ending October 15, 1901, and this report will, unless otherwise specified, cover the year ending October 1, 1902.

GENERAL CONDITIONS.

When our last report was submitted, there was insurrection in the Province of Batangas, where the insurgent forces were commanded by General Malvar, and in the adjacent Provinces of Tayabas and Laguna; in the Province of Samar, where the insurgent forces were commanded by General Lukban; in Cebú, where the insurgent forces were under the insurgent leaders Climaeo and Maxilom; in Bohol, where the insurgent forces were commanded by the insurgent leader Samson; and in the Island of Mindoro. Vigorous campaigns were begun in November and December by General Bell in Batangas, Laguna, Tayabas, and Mindoro, by General Smith in Samar, and by General Hughes in Cebú and Bohol. In November and December the insurgents in Cebú and Bohol surrendered, and conditions of peace were so completely established that the Commission soon after received the Province of Cebú from the military authorities, and by Act No. 322, passed December 20, 1901, restored the civil government in that province to take effect January 1, 1902; in Bohol, the province was delivered over to the Commis-

sion early in 1902, and the Commission by act of March 3, 1902, restored civil government there to take effect April 1, 1902. General Lukban in Samar was captured in February, 1902, and the entire force of insurgents in that island under General Guevara surrendered in April following. By an act passed June 17, 1902, No. 419, the Commission organized the Province of Samar and established civil government there. In April of 1902 General Malvar surrendered with all his forces in Batangas, and by act passed June 23, 1902, the Commission restored civil government to that province to take effect July 4, 1902. By Act No. 424, enacted July 1, 1902, the Province of Laguna was organized into a civil government. This completed the organization of all the provinces in which insurrection had been rife during the latter part of 1901, except Mindoro. There were, in addition, certain tracts of territory occupied by Christian Filipinos that had not received civil government, either because of the remoteness of the territory or the scarcity of population. By Act No. 337 the Province of Nueva Vizcaya was on January 28, 1902, given a civil government. This province is situated in the northern center of Luzon at the head waters of the Cagayan River. It is quite mountainous; has about 60,000 non-Christian inhabitants and about 16,000 Christian Filipinos. It has a delightful climate, and in the valleys there is great richness. The fruits and vegetables of the temperate zone grow quite luxuriantly there.

On May 28, 1902, the Commission organized the Province of Lepanto-Bontoc, also a mountainous province in the north central part of Luzon occupied wholly by Igorrotes, and for which the same kind of a government as that of the Province of Benguet was established, by Act No. 410. The districts of Infanta and Principe and the Island of Polillo are on the east coast of Luzon with very few towns, very sparsely settled, and at remote distances from Manila. It seemed wisest to include them in the Province of Tayabas, which reaches from the China Sea on one side across to the Pacific on the other, and which has the towns of Mauban and Atimonan on the Pacific Coast. These are the towns which the people of Infanta and Principe and Polillo look to as their bases of supplies when they buy anything and as the places where they sell what they have to sell. By Act No. 417, therefore, passed June 12, 1902, these three districts were included in the Province of Tayabas. The Province of Paragua, including the north half

of the Island of Paragua, and the Cuyos and Calamianes groups of small islands to the eastward were embraced in a province known as the Province of Paragua, by an act passed June 23, 1902, No. 422. The Island of Mindoro, in which early in the year all the insurgents had been captured or had surrendered, was by act of June 23, 1902, Act No. 423, incorporated with the Island of Marinduque in the province of the latter name. In this way all the territory occupied by the Christian Filipinos, except a small district of Dapitan, the town of Zamboanga, the town of Cottabato, and the town of Davao, all in the Island of Mindanao, was brought under civil government. In respect to the last-named district and isolated towns, which are so widely separated, and which have so small a population as to make their organization into a province under the provincial law impossible, the Commission has taken no definite steps except to organize the Filipinos of Zamboanga into a municipal corporation under the Municipal Code. They are generally under the control of the military commander of the Seventh Separate Brigade, which includes Mindanao, and can only be provided for in a comprehensive law for a civil or civil-military government of Mindanao.

The question what shall be done with respect to Mindanao is one which has not been definitely decided, first, because so much has had to be done with respect to the northern and Filipino provinces, and, second, because at present there is an unsettled condition in the Lake Lanao country. The hostility to the Americans does not reach beyond the Lake Lanao Moros. The Moros of the Joló group, of Zamboanga, and of the Rio Grande de Mindanao Valley are all quiet and all entirely willing to submit to American supervision. It is very possible that an arrangement can be brought about by which the Sultan of Joló can be induced to part with such rights as he claims to have in the Joló Archipelago, and that in this way questions which now present very perplexing difficulties with respect to ownership of privileges, rights, and lands may be obviated. The reports of General Davis which are included in General Chaffee's annual report are full of most interesting information, and must be carefully considered before a permanent arrangement shall be made for the administration of that part of the Philippine Archipelago. Meantime, I think it is wiser on the part of the Commission to postpone the consideration of the Moro question until we have passed legislation to meet needs that are more pressing throughout the

northern part of these possessions of the United States. For a great many years to come there will be no question of popular government in the Moro country; the Moros do not understand popular government, do not desire it, and are entirely content with the control by their dattos. Possibly far in the future the control by dattos will cease. There is room for material and industrial development among the Moros, and with their material improvement may come a change in their political views. For the present, however, it is necessary only to provide a paternal, strong but sympathetic, government for these followers of Mohammed.

GENERAL CONDITIONS OF THE FILIPINO PROVINCES.

The Civil Government has assumed responsibility for the preservation of order and the maintenance of law throughout the Christian Filipino territory of this Archipelago at a time when the material conditions are most discouraging and present every conceivable obstacle to the successful administration of the affairs of six or seven million people. The war of six years since 1896 has greatly interfered with the regular pursuit of agriculture, which is almost the only source of wealth in the Islands. Many years ago there was sufficient rice raised in the Islands not only to feed the people but to export it to other countries. For a number of years before the American occupancy rice had been imported. The area of cultivation of the rice has been much lessened during the war, and many fields which were formerly tilled are grown now with the cogon grass because of neglect.

The greatest blow to agriculture has been the loss of the carabao or water buffalo, upon which the cultivation of rice according to the mode pursued in these Islands is wholly dependent. The war in some degree and the rinderpest in a much larger degree have destroyed about 90 per cent of the carabaos; and the natives—never very active in helping themselves—have simply neglected the rice culture, so that now these Islands are compelled to spend about \$15,000,000, gold, to buy food upon which to live. The carabao is not so necessary in the cultivation of the sugar crop or in the cultivation of hemp. With respect to those two crops it is used chiefly for transportation, but in the case of the rice the cultivation is wholly dependent upon it. The rice crop in China and Saigon has suffered from the drought and the price of rice is higher than usual throughout the Orient. In the Philippines it has risen from \$4 per

picul of $137\frac{1}{2}$ pounds to \$7 a picul, which is the present market price expressed in Mexican dollars. Part of this is due, of course, to the depreciation in silver, but the effect upon the natives, who have only silver, is just as disastrous as if it were due to some other cause. In addition to the loss of the carabaos, which has reduced the acreage of rice by 75 per cent below the normal, the locusts for the last two years have been very destructive upon the short crops which are raised. The native ponies, which, while not strong enough to supply the place of the carabaos in plowing, are much used by the natives for transportation, have suffered severely both from the war and from the glanders and a disease which in India is called surra.

The cholera has swept over these Islands with fatal effect, so that the total loss will probably reach 100,000 deaths. Whole villages have been depopulated, and the necessary sanitary restrictions to avoid its spread have interfered with agriculture, with intercommunication, and with all business. The ravages of war have left many destitute; and a guerrilla life has taken away from many all habits of industry. With no means of carrying on agriculture, which is the only occupation of these Islands, the temptation to the less responsible of the former insurgents after surrender to prey upon their neighbors and live by robbery and rapine has been very great. The bane of Philippine civilization in the past was ladronism; and the present conditions are most favorable for its growth and maintenance. Ladronism was in the Spanish days more prevalent in the Tagalog Provinces of Bulacan, Nueva Ecija, Zambales, Rizal or old Manila, Cavite, Batangas, Tayabas, and Mindoro than in any other part of the Archipelago. Cavite was famous as "the mother of ladrone." Many who were proscribed for political offenses in the Spanish times had no refuge but the mountains, and being in the mountains conducted a free robber life; and about them gathered legends not unlike those of the Robin Hood days of England, so that they attracted frequently the sympathy of the common people. In the Spanish days it was common for the large estate owners, including the friars, to pay tribute to neighboring ladrone. Every Tagalog province had its band of ladrone, and frequently each town had its recognized ladrone whom it protected and through whom it negotiated for immunity.

The high price of carabaos and of ponies, produced by their scarcity, has made ladronism a lucrative business. Both the ponies and the carabaos bear the indicia of ownership in the brands which

are burned into their skins. The ladrones are exceedingly skillful in changing and altering the brands and even in changing the form of the horns of the carabaos, so that they are able to steal carabaos in Batangas, run them over into Cavite, change their marks and appearance, and then sell them in Manila without any great fear of detection or identification.

The warfare in Batangas was so thorough in its methods that the ladrones of that province were exterminated. In the Province of Laguna the ladrones were driven out both by the Americans and the insurgents, General Cailles of the insurgent army executing many of them by military order; but Cavite has never been rid of them. In that province the ladrone leaders were given commissions in the insurgent army, and when the insurgents surrendered, they returned to their former profession. The same thing is true of Bulacan and of the mountainous districts of Zambales. Ladronism has also been always found in the mountainous districts of the Province of Rizal and in the towns of Caloocan and Malabon, a few miles north of Manila. Through these towns the ladrones have been in the habit of coming into the city of Manila whenever pursuit was hot, and of remaining in concealment until the danger had passed. It is not certain whether in the present depressed state of agriculture, with the temptations to ladronism, that the Constabulary will be able to do without the aid of the military to stamp it out. Were there any temptations to agriculture, were there prosperous conditions in the country, it would not be a troublesome matter to deal with; but when want and famine are staring people in the face, the life of the freebooter forms to the desperate and the weak a very great attraction.

The natural discontent with the Government when suffering is at hand, promoted as it has been by the cholera restrictions and the high prices of rice and other commodities which have been greatly enhanced by the depreciation of silver, might well have caused a new breaking out of the insurrection; and in my judgment it speaks wonders for the ease with which this country may be governed in normal times, that we have had comparatively so little disorder since the surrender of the insurgent arms in April. Civil government was completely established in the Filipino provinces throughout the Archipelago in July of this year, and since that time an American soldier has not been called upon once to discharge his weapon. The country has been policed by the Constabulary, a force

of some five or six thousand men. It may be that as the conditions grow worse—for they are likely to do so before they grow better—it will be necessary in a province like Cavite, where ladronism seems inbred in the people, to proclaim martial law and even to call in the military finally to suppress it; but it is still hoped that this may be avoided. There are two provinces in the southern islands that are also badly infected with ladronism—one the Province of Iloilo, where, however, the Constabulary are rapidly stamping it out, and the Province of Negros, where all the mountaineers have ever been ladrones. They have been much diminished in number and have received some severe lessons, but it will be a work of patience and time before they can be wholly suppressed. The ladrones of Iloilo are an organized band of cattle thieves, for all the cattle that they can steal they can sell at good prices in Negros, and some presidentes of towns are not above receiving profits from this business.

The failure of a crop for a year may entail great hardship and bring about a famine, but the coming year generally restores a normal condition of prosperity. Such, however, is not the present case in these Islands. The loss of the carabaos can not be remedied in a year, and unless the greatest efforts are made either to replace these animals from other countries or to substitute methods of agriculture which shall prevent their being indispensable hereafter, the future for several years offers a gloomy outlook. I have instituted inquiries to learn the possibility of importing carabaos. It has not been possible to do this until the present time, because the previous importations of carabaos made within the last five months resulted only in the death of the animals brought here. The fields of the country are infected with the rinderpest, and animals turned into them have caught the disease and quickly died. The Secretary of the Interior advises me that the Bureau of Laboratories has succeeded in the production of a serum which will immunize 98 per cent of the cattle upon which it is used from the rinderpest for several years. This serum will be used upon several hundred cattle to determine whether it is really efficacious, and if it turns out to be so, I shall call upon the Commission for authority to purchase as many thousands of cattle as possible, to distribute them among the provinces and to sell them there at cost. Meantime it is hoped that other agricultural methods will be taught to the people and the use of modern machinery made feasible. The experiments in Batangas to which the Secretary of the Interior refers in his reports are full of

interest and instruction upon this point, but it is not necessary for me to dwell upon them.

The insurrection is over. It is true that the ladrones, though they live on nothing but cattle and rice stealing and never attack American soldiers, and prey only upon their own people, do masquerade as insurrectos; but they recognize no authority and have no characteristics other than those of banditti. They have stirred up in some of the provinces the organization of so-called secret societies for the purpose of securing agencies with which successfully to conduct their robbery and to sell the fruits of it. In other parts of the country, notably in Tayabas and in Samar, the restlessness succeeding the war and the poverty and difficulty of living have induced many of the ignorant and superstitious people to withdraw to the mountains under the leadership of leaders who profess to have divine attributes and to have the assistance of God in the protection of their followers. The people thus drawn out become religious fanatics and robbers at the same time. Such a band was that of Rios in Tayabas and its history is typical. Rios was the captain of an insurgent company under Colonel Zurbano, who commanded in Tayabas and was one of the officers of General Cailles. Rios was a blacksmith, or blacksmith's assistant, entirely illiterate. Having committed a murder and fearing punishment for it, after his surrender he went to the mountains and was there able to summon a few people to his assistance. He gave it out that he would go to heaven, and returned and came down out of a tree in the presence of a large number of his followers bearing with him a box which he said if they assisted him he would open and confer on them what was contained in it—independence. He organized a town or two and preyed on all the other towns in the mountainous parts of Tayabas, and became such a nuisance that the larger towns formed companies of volunteers, and they, with the assistance of the Constabulary, so harried his followers that most of them are now dispersed and surrendered, and he is in hiding with only one or two persons.

The picture that I have given of the depressed condition of agriculture and the tendency to ladronism in the Talalog provinces and in some of the Visayan provinces does not apply to those provinces in which hemp is the chief product. They are wealthy and prosperous, and while their food costs them more than it used to, they have money enough with which to make improvements; and school-houses are being built, roads are being constructed, machinery—

agricultural and of other kinds—is being introduced, and there is every evidence of a decided forward movement. This is especially true of the Province of Albay, which is the largest hemp-producing province in the Islands. Throughout the rice and Tagalog provinces, however, we must expect disturbances from time to time from ladrones and their assistants, the Katipunan societies. In the northern provinces of Luzon, in Ilocos Norte and Sur and Union, and in Cagayan and Isabela, conditions are much less disturbed by ladrones. The provinces depend more on the tobacco and corn crop than they do on the rice crop, and the Ilocanos and others who live in the provinces were not in the past so much given to ladrism. On the whole, however, there is before us a year of the hardest kind of work relieving the people from the hardship and suffering that are likely to follow the failure of the rice crop, and in suppressing ladrism and other disturbances due to economic distress.

The wealth of these Islands must always be in their agricultural products, and when more than three-fourths of their chief food crop is wanting, it is to be expected that the market for the sale of goods from foreign countries will not improve. In the face of these most distressing conditions, however, the importations into the Islands for October, 1902, were greater than ever before in their history for one month. It has been suggested that this growth in importations is due chiefly to an increase in rice, but the statistics when examined do not bear out this interpretation of the facts. The rice imported in October of last year was about 20 per cent of the total imports. The rice imported for the same months of this year is not more than 18 per cent of the total imports. The figures show that for the year ending June 30, 1902, the imports, exclusive of quartermaster stores, of all goods were \$41,000,000, while the exports were about \$27,000,000. While \$1,100,000 of this is explained by the greater importation of rice, the remainder can only be explained by the additional investment of capital in business, in equipment, and in construction. In the fiscal year 1900 the excess of imports over exports was \$1,130,805; in the fiscal year 1901 it was \$6,257,321, and in the fiscal year 1902 it was \$13,896,477. Capital has seemed, because no very large enterprises have been undertaken, to be timid in coming here, but in fact it has come in a small way in various branches of business, so that the aggregate is very considerable. The explanation of the greater amount of imports over exports from the Islands is not to be found chiefly in the fact that much money

has been brought here from America through the Army and its payments. Doubtless that has something to do with it, but this cause was necessarily much more effective in the year ending June 30, 1901, than it was in the year ending June 30, 1902, because the Army in the Islands was being rapidly reduced in size during that year and the expenditures were considerably less in that year than in the previous year; and yet the imports increased nearly 25 per cent in the year 1902, and the total business of the Islands increased from \$59,000,000 in the fiscal year 1901 to \$69,000,000 in the year 1902. Of course the change in tariff increased the amount of importations. That was its purpose, but it does not diminish the importance of the fact that business and the investment of capital have shown a steady increase. That they would have shown a much larger increase, had agricultural conditions been only ordinarily favorable, goes without saying. For the current year I think we may anticipate a considerable reduction in imports and revenue. Such at least is the opinion of competent brokers, merchants, and importers. The prostration of agriculture is too great. The savings of the people will be expended in buying food.

Among other ills from which this country is suffering is that of the fluctuating currency. The evils of this have been dwelt upon in the report of the Secretary of Finance and Justice, and need no emphasis from me. I may be permitted to say, however, that the depreciation in silver has greatly increased the apparent cost of living to the very poor, and has added much to the causes for their discontent with present economic conditions. With all these woes which have come to this country, the Filipino people look to the American nation for the very great aid which will be furnished them in a better market for their products of sugar and tobacco, by reducing the Dingley rates to not more than 25 per cent thereof, and by giving the Islands a stable gold-standard currency.

THE LABOR QUESTION.

The complaint of the American and foreign merchants in these Islands that the labor to be had here is altogether inadequate has become acute, and the chambers of commerce representing the American, Spanish, English, German, and other foreign interests have sent a representative to the United States to invite an amendment to the present Congressional legislation which extends the

Chinese Exclusion Act applicable to the United States to these Islands, on the ground that it is necessary to admit Chinese for the business development of this country. On the other hand, it is quite apparent from the declarations of the Federal party and other political organizations in the Philippines, and from the vigorous manifesto of the only labor organization in the Islands, that there will be much opposition on the part of the Filipino people to the further admission of the Chinese. That this opposition has been chiefly to the competition which the Chinese have offered in the matter of stores and trading is obvious to anyone who has looked into the question; but it would be unwise to infer from that that the introduction of Chinese laborers here would not be a very unpopular policy on the part of the Government.

The Chinese laborer becomes a merchant within a year or two after he reaches these Islands, and then begins a competition with the Filipino tradesmen which in the end drives the Filipino out of business. Were there unlimited Chinese immigration into these Islands, I do not doubt that the tendency would be to relegate the Filipino to the position which the Malay occupies in the Straits Settlements. Most of the avenues of business would be commanded by the Chinamen as they now are in Singapore and the Straits Settlements, and the Islands would ultimately become rather a Chinese country than a Filipino country. It is doubtless true that, were the doors opened and the Chinamen allowed to come in freely, it would tend toward a much more rapid commercial and industrial development of these Islands than we are now likely to have; but in this respect I think the merchants and others interested would be disappointed in the trend which affairs would take. It has not been possible in Borneo to introduce the Chinaman into the fields; he has declined to become a farmer or a farm laborer in that island, and as the conditions are very similar to those which prevail here, we may expect the same result. There are to-day, although there may be 150,000 Chinamen in the Islands, but very few engaged either in farming or in laboring upon farms. The attention of the Chinaman is given either to coolie labor or skilled labor in cities or to the tending of stores and to commercial business. It is quite possible that the admission of Chinamen would reduce the wages of the stevedores, of the domestic servants, and of coolies in the cities, but there is grave reason for doubting how efficient the Chinamen may be in the carrying on of farming operations.

During the year 1902 there has been a movement for the organization of labor in the city of Manila, which doubtless will spread to other parts of the Islands. It has been regarded, because of abuses which crept in, as an unmixed evil. I can not think it to be so. If properly directed, it may greatly assist what is absolutely necessary here, to wit, the organization of labor and the giving to the laboring class a sense of the dignity of labor and of their independence. The labor organization in the city of Manila is very much opposed to the introduction of Chinese labor, and their declarations upon this point will find ready acquiescence in the minds of all Filipinos with but few exceptions. The truth is that from a political standpoint the unlimited introduction of the Chinese into these Islands would be a great mistake. I believe the objection on the part of the Filipinos to such a course to be entirely logical and justified. The development of these Islands by Chinamen would be at the expense of the Filipino people, and they may very well resent such a suggestion. The merchants and others who wish to invest here must take into consideration that labor is always likely for some time to be more expensive in these Islands than it is in the United States per unit of product of labor.

Another phase of the labor question which does not seem to have had its proper weight with the merchants of Manila in their demand for the admission of Chinese coolies is the great obstacle which such a policy would present to the opening by the United States of its markets to Philippine products. The existence of cheap Chinese labor in these Islands would furnish the strongest and most taking argument to those whose interests lead to their opposition to the reduction of the tariff, that the reduction would bring American labor and its products into direct competition with cheap Chinese labor and its products in these Islands.

The evidence with respect to the efficiency and quantity of Filipino labor is quite conflicting. I append as exhibits (F 1 and F 2) to my report the reports of Major Aleshire and Captain Butt, in the Quartermaster's Department of the United States Army, who have had large numbers of Filipino laborers under their control and who have been quite successful in making them useful. I append also the report of the Municipal Board, and report of the City Engineer of Manila, who has employed a great many Filipinos constantly, and whose evidence, generally, supports that of Major Aleshire and Captain Butt. I append also, marked Exhibit F, the last

report of the engineer upon the Benguet road, which shows very great discouragement in the use of Filipinos for the construction of public works in the country. I ought to add, on the other hand, that the manager of the Manila and Dagupan Railway Company has informed me that his road was constructed by Filipino laborers almost entirely, except that at one time they brought in quite a number of Chinese for the construction of bridges and the work upon the piers. The Chinese did not prove to be satisfactory and Filipino laborers had to be substituted. On the other hand, the merchants of Manila claim that they find it very difficult to secure satisfactory labor or constant labor, and that the rates of wages are absurdly high. It is to be taken into consideration that these comparisons of wages and labor are made as to the efficiency with American labor, and as to reasonableness of price with the very low wages paid to Chinamen in Hongkong. Everything is high in Manila. The cost of living is very high, and it is not surprising that the cost of labor should have risen. The very great increase in the foreign commerce and coastwise trade in these Islands, together with the needs of the Army and the Insular Government, has caused a corresponding increase in the demand for all kinds of labor in and about commerce, so that the increase in wages and failure of the local labor supply are easily understood.

I do not think it would be just to the Filipinos, or a proper course for America in the development of this country, to do more than to extend to the Commission the power to admit, upon reasonable restrictions, a certain limited number of skilled Chinese laborers, who may contribute to the construction of buildings and the making of other improvements, and who at the same time by their labor may communicate to Filipino apprentices the skill which the Filipinos so easily acquire. Such skilled laborers might be admitted under bond of their employers that they shall be returned to China at the end of three or five years, the bond containing a provision also that for every Chinaman imported and employed a Filipino apprentice should be employed. Further than this it seems to me that it would be unwise to go. But such a provision would probably bring about the establishment of shipyards here and other enterprises that now are impossible in the Philippines because the proper skilled labor is not to be had.

I am myself by no means convinced that Filipino labor may not be rendered quite useful. The conditions of war and of disturbance

throughout the Islands for six years have led the men to form loafing and gambling habits and have interfered with their regular life of industry. Where such restlessness prevails, industry is apt to be absent. The Filipino laborers must be given three or four years before an intelligent and just verdict can be pronounced upon their capacity for effective labor. I am confident that it will be greatly better than the suffering merchants of Manila anticipate.

A just view of the future of labor in these Islands can not be taken without considering the dependent condition of the Filipino laborers in Spanish times. Much of the labor was then forced; and there was not a single circumstance that gave dignity to it. The transition from such conditions to one where the only motive is gain must necessarily be attended with difficulty; but when the laborer shall come to appreciate his independence, when he shall know that his labor is not to be a badge of peonage and slavery, when American influences shall make him understand the dignity and importance attaching to labor under a free government, we may expect a great change for the better in the supply and character of labor.

THE FRIARS' LANDS.

On my return to the United States I was directed by the President and the Secretary of War to visit Rome and confer with the Pope on the subject of the purchase of the friars' lands in these Islands and the possible withdrawal, at the instance of the Pope, of the Spanish friars from the Philippines. The result of those deliberations is contained in the correspondence between Cardinal Rampolla, the Papal Secretary of State, and myself. I have submitted that correspondence unofficially to the members of the Commission, but as it has already been forwarded to the Secretary of War, and should be made public, if at all, by either the Secretary of War or the President in his communications to Congress, I do not feel justified in inclosing it as an exhibit to this report, and have only to say concerning the visit to Rome and the negotiations there that I believe they will tend to bring about a much earlier and a much more satisfactory solution of the difficult questions at issue between the Roman Catholic Church and the Government of the United States in these Islands than if the visit had not been made and the conference had not been had.

OFFICE OF THE EXECUTIVE SECRETARY.

The Executive Secretary presides over that office which by the terms of the law was designed to relieve the Governor from the routine executive work. It has been found possible to do almost all the clerical work of the four Departments, as well as the Governor's office, through the Executive Secretary and his subordinates.

Mention has already been made in a previous Commission report of the excellence of the work of Mr. Fergusson, the Executive Secretary, especially in his marvelous power of interpreting to and from English and from and to Spanish during the trip of the Commission through the provinces to organize them. Mr. Fergusson is now in the United States on leave, and his place has been taken by the Assistant Executive Secretary, Mr. Beekman Withrop. I can not speak too highly of the excellence of Mr. Winthrop's work. The intense interest that he takes in the dispatch of business, the amount of responsibility that he saves the Civil Governor and the heads of the Departments, form a reason for constant congratulation; and the work which he has done in the preparation of the very detailed appropriation bills is worthy of the highest commendation and entitles him to the unqualified approval and gratitude of the hard-working members of the Commission.

It has been suggested by Mr. Winthrop that it will be possible in the near future to unite in the office of the Executive Secretary the clerical work and the translating which has now to be done in the office of the Philippine Commission. As the Executive Secretary's office and the Philippine Commission office are in the same building, this may prove to be not only a practical but an economical suggestion. No one but one familiar with the work of the two offices can realize what the burden of clerical work and of translation and interpretation is in the conduct of the business of the Government.

The functions and operations of the Executive Secretary's office are admirably set forth in the report of Mr. Beekman Winthrop, which is here appended, marked Exhibit A.

PROVINCIAL GOVERNMENTS.

Conditions changed so rapidly during the last year in the provinces that the statement of them made in the annual reports of the governors in January, 1902, gives hardly a fair picture of their conditions at present. It would seem wise to change the time for the

annual report of the governors from January to September. Many of these annual reports, filed in January, 1902, are included in the evidence taken by the Senate Committee on the Philippines, but as the reports were made subsequent to the last report of the Commission, it seems proper to include them as exhibits to this report and they are hereto attached as Exhibit B.

The provincial governments have upon the whole worked well. Their financial condition is very fully set forth in the report of the Secretary of Finance and Justice, and even more in detail in the report of the Auditor, which is made an exhibit of that Secretary's report. A sufficient surplus over the current expenditures of the Government has not been accumulated in many of the provinces to make substantial improvements in the roads and bridges, and it is very possible that contributions from the Insular Treasury will be necessary to bring this about.

The land tax has not added greatly to the income of the provinces and was not expected to do so, because the limit of per cent of the tax was made so low. Under no circumstances is the provincial board or are the municipal councils together able to tax any land in the provinces in the aggregate more than seven-eighths of 1 per cent of its value. The assessment of the land tax has been made generally through the Islands. As might have been expected in the introduction of a new system of taxation, the assessments have been quite defective. Local officials have permitted their friendships and enmities to influence in an absurdly grotesque way their assessment of property, and the persons injured, not being sufficiently advised of the time limited for appeal, have failed to appeal within the required period and lost their rights thereunder. It will be very necessary, therefore, to give everyone an opportunity to have the assessment reviewed; but it has been a great step to have the assessment taken, and it is not at all impossible to remedy much of the injustice which has been done, by additional curative legislation.

In some of the provinces there is considerable complaint against the land tax, and we find it chiefly in those provinces where there are extensive landowners, who never have been used to paying any tax upon their lands at all and who seize upon the present discontent with reference to agricultural conditions to raise a cry against the land tax, with the hope that the system may be wholly abolished. In some cases the provinces which are evidently in bad condition have

been relieved from the land tax for one year. This has been the case in Batangas and in Samar. It is possible that the conditions of agriculture are so very bad in many of the provinces that similar relief will have to be granted for the coming year. But that a land tax, as a system, must be continued in this country if the provinces are ever to be efficient governments is certain.

There has been great difficulty in filling the offices of supervisors in the provinces. The salaries are not such that we can secure the services of any but the younger engineers, and when they find that the resources of the provinces are not such as to justify large improvements, they frequently lack energy, and do nothing. This is partly accounted for by the fact that heretofore they have had no central supervision as the treasurers and provincial fiscals have. I am clear that the work of the supervisors will be greatly improved if they are put under the Chief of the Bureau of Engineering and Construction and a particular assistant of that officer is charged with the duty of visiting the provinces and supervising their work. The system of supervision by the Insular Treasurer over the provincial treasurers, and of the promotions which he has secured for those who have done their work well, has made the provincial treasurers a very efficient body of men. They have very heavy labors, and these labors are discharged generally in a satisfactory way. A similar result can doubtless be brought about in respect to the supervisors. The fiscals have been put under the supervision of the Assistant Attorney-General and Supervisor of Fiscals; the poor ones are being weeded out and the provincial governments strengthened.

The native governors on the whole have proven to be quite satisfactory. They take great pride in their provinces, and with the exception of two or three who seem to be listless and fearful of making enemies, they are exerting all their influence, which is very great, among the people, to industry and law-abiding habits. It will probably be necessary to remove two or three governors in whose provinces there is too great looseness of administration and too much lawlessness, in order to point out the responsibility that a provincial governor should have in such matters. The provincial governor is the disciplinarian of the municipal presidentes and as such is therefore able greatly to improve the conduct of affairs in the municipalities. If he has a number of friends in the offices who do not realize their responsibility to the public and are not disciplined because of the governor's friendship, it is very easy for the province to

fall into bad condition. If, however, he uses his authority for good government, as many of them do, he can retain a very strict control over the entire population for good.

It will probably be necessary in some of the smaller provinces to dispense with the office of supervisor by uniting it with the office of treasurer, because the salary that would secure a good engineer as supervisor can not be paid. The organization of the provincial boards of health is properly treated of in the report of the Commissioner of Public Health under the Secretary of the Interior. Suffice it to say that this has added one more to the list of provincial officers. The recent change in the school law provides a division superintendent for almost every province, his salary to be paid by the Insular Government. This makes another provincial officer whose services may be used in the general government of the province when occasion shall require. It has been proposed, in provinces where there is no supervisor, to make the division superintendent of schools a member of the provincial board. I believe that this plan would work very well. The powers of the provincial boards in matters of health and education and in assisting agriculture have been somewhat added to by legislation, but sufficient time has not elapsed to be able to give a judgment upon the wisdom of these provisions.

CIVIL SERVICE BOARD.

The report of the Civil Service Board shows that it has been most active in the conduct of examinations and the furnishing of eligible persons for the public service. The principle of appointment according to merit, as shown by examination, and of promotion according to merit, as shown by experience and examination, is carried out conscientiously by the Board. The necessity that the Government is under of securing many of its civil servants from the United States, by examination under the auspices of the United States Civil Service Commission, of course delays the filling of vacancies and embarrasses the conduct of the Government. This embarrassment and delay, however, are reduced as Bureaus become better established and the number of new employees that are needed becomes less. It is entirely natural that heads of Bureaus should think themselves better competent to judge of the kind of men needed for the vacancies under them than the Civil Service Board; and this is especially the case with new Bureaus where the head of the Bureau has had no experience in the selection from eligibles presented by

the Civil Service Board. The provision that no money can be paid by a disbursing officer to a person not appointed in accordance with the civil-service law has been sufficient to restrain any violation of it. It has become so well understood that the merit system prevails in these Islands, and has a wider application and more practical enforcement than in any part of the United States, that there is no political pressure from the United States for the appointment of persons to the classified service.

The body of civil-service employees engaged in public school-teaching is still not included within the rules of the Civil Service Board. Some 200 of the legalized quota of 1,000 teachers are to be appointed in the near future. As soon as the quota has been filled it is understood to be the intention of the Commission to provide that thereafter no teachers shall be employed who do not pass a civil-service examination.

During the next year it is hoped to introduce into the civil-service law provisions by which the learning of native dialects and the learning of Spanish by American employees will be encouraged, provisions by which certain promotions can only be obtained after passing an examination in certain native dialects, and also for increasing the salaries of employees who are able to pass an examination in such dialects or in the Spanish language without promotion. Such changes, it is thought, would make the body of our English-speaking civil servants much more efficient.

Particular attention is invited to the satisfactory report of the Civil Service Board, a copy of which is attached as Exhibit C.

THE INSULAR PURCHASING AGENT.

The office of the Insular Purchasing Agent was created for the purpose of economy and efficiency in the purchase of necessary supplies, both for all Bureaus and Departments of the Insular Government as well as for the provincial and municipal governments. When the office was first organized, with the requirements that all goods should be purchased through it by the various branches of the Government, the utmost confusion reigned in the office because of the immense number of requisitions and the inability of the Purchasing Agent to meet them promptly. During the last year, however, order has been brought out of chaos, and it is now possible for any Bureau to secure promptly what it desires through the Insular Purchasing Agent. He has a large stock on

hand of things likely to be needed by the various Bureaus and provinces, and he has the means of securing quickly those articles which he has not on hand.

The question of how goods shall be bought in the United States—whether through a purchasing agent stationed there or by correspondence through the Insular Purchasing Agent—is one that has not been free from difficulty. At present the Government has an insular purchasing agent in the United States, but my recommendation is that this arrangement be terminated on January 1 and that thenceforward the Insular Purchasing Agent shall buy directly from the manufacturing houses in the United States. It is essential that quite a large fund be kept in the United States with the disbursing officer of the Insular Government there, and that a record of all orders and purchases be made in the Bureau of Insular Affairs of the War Department. It is thought that the suggestions of the Insular Purchasing Agent will accomplish all these purposes, and that they should be adopted. The policy of having one man buy everything for all branches of the Government is apt at times to be too rigid, and the amendment which authorizes the Civil Governor to dispense with this necessity and allow heads of Bureaus or other officers to make exceptional purchases directly has relieved the system from objections which it was at first thought might lead to its abolition.

The extent of the dealing of the Insular Purchasing Agent is shown by the fact that his purchases from August 1, 1901, to October 1, 1902, aggregate \$1,416,633.91, and his total sales have been \$1,252,012.36, and his total property on hand amounts to \$263,465.14; all in United States currency.

The report of the Insular Purchasing Agent is attached hereto, marked Exhibit D.

THE CITY OF MANILA.

The plan for the government of the city of Manila has not been changed during the present year, and the government has been carried on successfully. The city of Manila is well policed. It is impossible in a country where gambling is so much a vice to prevent corruption from affecting the police force in some degree. The number of the force has been considerably reduced since its organization under the military government, and it is hoped that, as the Filipino policemen become better trained, it may be still further

decreased. The work of giving the city an adequate water supply and a proper sewer system has not yet begun. The Philippine Act enabled the Commission to issue bonds for \$4,000,000, gold, to better the water supply and to establish a sewer system. It is believed that a competent engineer has been engaged in the United States for this work, but the plans can not be adopted until careful study has been given them and they have been submitted to a board of engineers. Much difficulty has been experienced in securing proper stone for macadam, the quarries at Binangonan having become exhausted. It is now thought that the Talim quarry on the Island of Talim in Laguna de Bay, which is owned by the Government, will furnish very good material. The city has experienced the same difficulty in securing engineers that has confronted the Insular Government with respect to supervisors in the provinces, and much delay is incident to the failure promptly to procure them. A very considerable amount of work has been done in improving and cleaning streets and in putting the city in better sanitary condition. Four very handsome markets, an important feature in the life of the common Filipino people, have been erected in different parts of the city and are the source of a considerable income to it. A satisfactory steel bridge, called the "Santa Cruz Bridge," has been constructed across the Pasig and adds much to the public convenience.

Much, however, remains to be done. I desire to call attention to the fact that the Philippine Act in authorizing the issue of bonds by the Philippine Government for the use of the city of Manila does not provide that those bonds shall be free from State, county, and municipal taxes in the United States, though the act does so provide with respect to bonds to be issued to pay for the friars' lands. Such an exemption of all Philippine bonds from State, county, and municipal taxes will enable us to sell them at a very considerably lower rate than we can place them at under present conditions, and I suggest that we recommend to Congress that all bonds issued by authority of the Philippine Act shall be free not only from Philippine and United States taxation but also from State, county, and municipal taxation in the United States. This Government is an instrument of the United States in working out a great and most important problem. It is an agency of the United States, and it seems proper that the successful maintenance of such an agency should not be embarrassed by State taxation upon the bonds which

in the prosecution of the purposes of the United States it is obliged to issue.

The land tax in the city has been levied and collected. The work of assessing the value of the real property has been onerous, and many complaints are made of the injustice of the assessment in the outlying portions of the city. It seems probable that injustice has been done in estimating what ought to be assessed as acre or hectare property by the square meter, and a reassessment or an opportunity for reassessment ought to be furnished by legislation at once. An examination of the report on assessments and collections will show that while there are in the city real estate and improvements assessable for taxation amounting to \$41,005,190.60, there is nonassessable real property in the city of the value of \$25,502,329.54, of which \$13,384,388.60 is the value of public property, not including the streets and parks, and \$12,117,940.94 is the value of church property which under the law is exempt. Of this church property, but \$2,737,423.90 is the value of land and improvements belonging to the Archbishop or the Roman Catholic Church proper, while the remainder, \$9,380,517.04, is the value of property belonging to the religious orders, religious schools, and convents.

The subject of public instruction in the city of Manila has been sufficiently covered by the report of the Secretary of Public Instruction.

The Fire Department of the city is rapidly being rendered as efficient a service as there is in the Orient, and will, when completed in the course of a few months, bear comparison with the fire departments of cities in the United States. The full report of the Municipal Board is hereto annexed marked Exhibit E. Especial attention is called to the very large number of new buildings that, in spite of the very high prices of labor and material, are being erected in the city.

BENGUET.

The Commission has been very much disappointed in the difficulties it has encountered in the construction of a wagon road from Pozorubio, in the Province of Pangasinan, to Baguio, in the Province of Benguet, a road which is essential to the use of Benguet as a site for a sanitarium and for the recuperation of the health of civil employees. The engineer, Captain Mead, who made the first survey of the road and entered upon its construction, made an

error in placing the road at such a level that it had to be constructed through friable rock at a great height above the bed of the Bued River. On this grade it was most difficult to maintain a proper slope for the fills, and the rainy season with its accompanying landslide washed the road away along 5 miles of its course. A different course for this distance has now been adopted, carrying the road nearer to the river along a course where it is chiefly hard rock and where there is no difficulty in maintaining a proper slope even against the hard rains of the wet season. The road has been constructed from Pozorubio on the one hand and from Baguio on the other, so that the two ends are within 12 miles of each other, and it is hoped that during the coming winter a horse trail can be constructed to join the two parts and that by next summer the whole wagon road will be completed. The original estimate for the cost was \$75,000, but the actual cost has already greatly exceeded that sum and it is doubtful whether it can be constructed for less than \$300,000. The work on the road was stopped for three months on account of cholera. I append the report of the engineer in charge of the work and call attention to the difficulties which he has encountered in the employment of labor. The report is marked Exhibit F.

DEPARTMENT OF COMMERCE AND POLICE.

I come now to the Bureaus which are included in the Department of Commerce and Police.

CONSTABULARY.

The first, and for the time the most important, Bureau of this Department is that of the Constabulary. Since July 4 last, when the civil governments were established throughout the Christian Filipino provinces and the military control therein ceased, not a single shot has been fired by an American soldier in the preservation of peace and order, and no request has yet been made of the Commanding General for assistance in the suppression of lawless violence or disturbance. The preservation of peace and order has been wholly committed to the Constabulary and to the municipal police. The Constabulary number something over 5,000 men, and the appropriation bill passed for the ensuing quarter authorizes the increase of this number to 6,000 men. The municipal police generally are by no means well disciplined. It was the intention

of the Commission in passing the law providing for the organization of the Constabulary that the inspectors should devote much of their time to the discipline of the local police, but the calls upon them for the suppression of ladronism and other disturbances have been so numerous that there has not been time or opportunity for the improvement of this important municipal arm of the forces of law and order. The towns, many of them, are so poor that it is impossible for them to support a large or even adequate police force. In order that the municipal police should be effective against ladrones it is necessary that they be properly armed with rifles. In a town, however, which can only afford five or six municipal policemen the distribution of rifles to the police only offers a temptation to large bands of ladrones to capture the police and take their rifles, thus increasing the number of arms held by the ladrones. In some provinces, notably in the Provinces of Tayabas and Bulacan, the Constabulary and the local police under the governor have worked together with great success. Ladronism in those provinces is being rapidly stamped out. In the Province of Bulacan, Colonel Teeson, a former insurgent officer elected governor, has devoted his entire time and energy to the organization of a volunteer force which has chased the ladrones to the mountains and out of his province so effectively that in a short time that province, which has always been noted for ladronism, will be freer from it than ever in its history. The arms for such volunteer forces are always distributed by the Constabulary. In Tayabas the system followed was by volunteers from the towns. The authorities of the town induced the people of the smaller barrios living near the mountains exposed to attack from the ladrones to come into the thickly inhabited settlement, bringing their belongings and leaving nothing from which the ladrones might obtain sustenance; in other words, they have adopted a reconcentration policy on a small scale, and the effect of that has been to bring the ladrones in from the mountains to surrender in considerable numbers, and the province is being rapidly rid of this human pest. The conditions in Cavite, however, have not been so favorable, and it is with the greatest reluctance that any rifles are distributed to the municipal police, because the sympathizers with the ladrones in the towns are so many that the rifles may be stolen.

There have been four desertions from the Constabulary in Cavite which resulted in the loss of some six or eight rifles. The Chief of the Constabulary has deemed it wise to discharge twenty men en-

listed in the neighborhood of San Francisco de Malabon and Imus lest they might also desert. The governor has applied for 300 Krag rifles for use with his volunteers, but it is doubtful whether there is a sufficient guaranty that these rifles will not find their way into the possession of the ladrones to justify the risk. In Zambales the governor, in an earnest desire to suppress Roman Manalang, a ladrone of ten or fifteen years' reputation, a murderer, and a desperado, has asked for 50 rifles with which to arm a body of volunteers made up of the better educated and wealthy men of the province, in the confident belief that he may capture Manalang and end the lawlessness in the northern part of that province, of which that outlaw is the chief promoter. Judge Johnson of the Court of First Instance has sentenced to Bilibid Prison for long terms, from three to twenty years, about 100 of Manalang's men, and this, it is thought, will have a quieting effect in that mountainous and most difficult province. The work of the Constabulary has been so constant that time has not been given even to the thorough discipline of the enlisted men. Their work has been exceedingly heavy and burdensome, and, on the whole, the Chief, the inspectors, and the enlisted men are to be as a body highly commended. There have been from a number of provinces complaints made of abuses by the enlisted men of the Constabulary. It is a fact so common that it must be noted that Filipinos of the less educated class with a little authority are prone to use that authority to oppress their fellow-Filipinos, and the abuses of the Constabulary are almost wholly committed by individual members of that body when not under the immediate observation and control of American inspectors. Of course the abuses of the Constabulary are very greatly exaggerated by deliberate misrepresentation of persons whose sympathy and profit are with the ladrones, and who do not welcome the presence of the Constabulary on any ground. Another difficulty has been a lack of tact on the part of some of the American inspectors engaged in the provinces. The authority which they exercise over the Constabulary of the province, which generally is the only effective police body, is apt to make them feel independent of the governor of the province, especially if they are young and inexperienced; and when they do not think that they find in the native governor the active, energetic assistance that they are entitled to, they conduct themselves in a manner not calculated to conciliate the governor or to secure any useful coöperation by him. It has

been my steady effort to convince these inspectors that next to dishonesty and cruelty a failure to show proper respect to the governor of the province and to accord to him the courtesy which the dignity of his office requires will be considered the greatest dereliction of duty of which they can be guilty and will be cause for instant dismissal. The Chief of the Constabulary has great difficulty in securing the proper material for provincial and other inspectors, but on the whole he has succeeded remarkably well. The Constabulary, because of the large number of posts in the Islands, has proved to be the most efficient corps for the maintenance of a civil commissary and the distribution and sale of goods to civilian employees throughout the Archipelago, and this has entailed great additional work upon the force. The Constabulary are quite dependent upon the telegraphic system for efficiency, and therefore as the military turn the telegraph lines over to the Civil Government they are placed under control of the signal officer detailed for work in the Constabulary Bureau. Ultimately it is the purpose of the Army to turn over to the Civil Government all the telegraph lines. More progress has really been made in the development of telegraph lines than in almost any other commercial direction in these Islands. It is possible now to reach by telegraph the capitals of all the Christian provinces except Romblon and Paragua, and is also possible to reach all the principal towns in Mindanao and in the Jolo group. Romblon will soon be reached by cable and then only one Christian Filipino province will be beyond the reach of the Central Government by wire. Such facilities for immediate communication with the governors greatly promote the efficiency of the Government.

Through the kindness of General Davis, the old Spanish Cavalry barracks known under the present Government as the "Pony Corral" has been turned over to the Chief of Constabulary for his headquarters. He proposes to maintain a reserve of Constabulary of 150 or 200 men in the city of Manila, drilling them and keeping them here so that they may be used in any province where an emergency may arise. He will also organize under authority of the appropriation bill for the quarter ending January 1, 1903, a Constabulary band. The excellence of the work done by the Constabulary, not only in its police but also in its civil commissary and telegraph lines, bears admirable witness to the exceptional executive ability of the Chief of the Constabulary, Capt. Henry T. Allen, of the Sixth Cavalry. His report is hereto attached, marked Exhibit G.

BUREAU OF POSTS.

On July 1, 1901, there were 24 regular post-offices in the Islands. On June 30, 1902, 66 had been added, and since the close of the fiscal year the number has been increased to 160. There has been an increase in the postal revenue of the Islands of about \$15,000, but of this, \$11,462 was from money-order fees, so that there was less than 3 per cent increase in the ordinary revenues. The expenses were 16 per cent greater. This was due to the fact that by Act No. 179 it was provided that the registration and carriage of official mail of provincial officials, from one point in the Philippine Islands to another, should be free of charge. In the many extensions of civil government and the immense amount of mail transmitted for public purposes, it has come about that more than one-half the whole mail matter handled is governmental. There is an increase of more than 20 per cent in the bulk of the mail. The money-order service in the Islands is becoming of great importance. Both Chinamen and natives are beginning to use it for comparatively large orders. In the United States the average money order is about \$8; in the Philippines it averages \$50. The remittances to Manila from the provinces to meet money orders issued during the year amount to \$1,070,937.97, while the remittances from Manila to the United States amount to \$648,125. This shows the balance between the orders drawn both ways. Another use which is being made of the money-order branch of the Post-Office Department is as a deposit of funds. There is about \$600,000 now deposited in the post-offices for safe-keeping. This it seems to me is a significant fact, tending to show that it would be wise for this Government to establish throughout the country postal savings banks. When we consider that there are no banks at all in most of the provinces, and that there is much insecurity in holding money, and when we know that a vast amount of silver is buried in the ground to avoid robbery by the ladrones and other thieves, we may justly suppose that the institution of postal savings banks would not only benefit those who now save money in this irregular way, but might induce others to save that which for fear of loss they now spend or waste. I respectfully commend this matter to the early attention of the Commission. The report of the Director of Posts is hereto attached, marked Exhibit H. The postal service is by no means as complete as we hope to make it and has not yet had the

assistance of the new vessels of the Coast Guard and Transportation Bureau.

COAST GUARD AND TRANSPORTATION.

We have alluded in our former reports to the difficulties in carrying on this Government presented by the absence of water transportation from one point to another and from one province to another and from one island to another throughout the Archipelago. We foreshadowed our purpose in our previous report of purchasing 15 vessels with which to meet the necessities of the Revenue, Postal, and Constabulary Bureaus and of the provincial governments. The Commission contracted for the construction of ten vessels, 148 feet long by 25 feet beam, and 5 vessels 140 feet in length by 25 feet beam. The Bureau of Coast Guard and Transportation was provided for by law and organized, with a naval officer, Captain Marix, detailed as its head. Captain Marix has displayed commendable interest in the work of the Bureau and has been most useful in guiding the Commission in the course to take in the establishment of an island coast guard and civil navy. He was authorized to make contracts with the firm of Farnham, Boyd & Co., of Shanghai, by which 10 of the vessels were to be constructed by them, and with the Uraga Dock Company, of Uraga, Japan, by which the remaining 5 were to be constructed by that company. The vessels are to have at least 10 knots speed. Five of the steamers have been completed, 2 of them have been delivered and are most satisfactory, showing a speed considerably in excess of that fixed in the contract, and 3 are now on their way from Shanghai to Manila. All of the steamers are to be delivered in Manila before February. The added efficiency of all governmental operations which these steamers will give no one can appreciate unless he is familiar with the difficulties that we now experience from a lack of transportation. It will doubtless be necessary for us to purchase additional launches and other vessels for local use, but the main stay will be the 15 vessels above described. They have been built with unusual strength to resist the heavy seas that prevail in these waters during the rainy season.

The Bureau of Coast Guard and Transportation is vested with the power and authority to complete the construction of light-houses and supervise them. It is estimated that \$200,000 will be needed to complete the construction of the light-houses which were begun

by the Spaniards and that this will take eighteen months. The great increase in trade requires new lights to be constructed according to a plan which is now being drawn up. The new lights will probably be constructed of iron frame work, because this is cheaper than stone and affords quite sufficient resistance to the storms and waves. A school of apprentices has been established at Corregidor light-house in order that competent light-house keepers may be had. A report of the Chief of the Bureau of Coast Guard and Transportation is attached hereto, marked Exhibit J.

COAST AND GEODETIC SURVEY.

By an equitable arrangement between the United States Government and the Philippine Government, surveys are being made under the supervision of the United States Coast and Geodetic Survey of harbors and inlets of these Islands and the coast. Considerable progress has been made, as will be seen by the report of the chief of the work in these Islands. The report is appended, marked Exhibit K.

FRANCHISES AND CORPORATIONS.

In the press of legislative work, the Commission has not as yet passed a general railroad law or indeed a general corporation law, though both must be passed in the immediate future. A law has been passed providing for the granting of franchises for an electric street railway in the city of Manila, which invites competitive bids upon three points: The duration of the franchise, the fare to be charged, and the percentage of gross receipts to be paid for the franchise. Bids are being advertised for in Manila, New York, Washington, and Chicago. There is one syndicate on the ground, at whose instance the franchise law was passed after material modifications in the proposals made by it. It is not known whether the syndicate at whose instance this law was passed will now bid or not, but it is hoped that more than one bid will be received. The necessity for electric street railways in the city of Manila is most urgent. We have not yet had any proposals for railroad franchises, except a formal proposition from the Manila and Dagupan Railway to construct a line from near Calumpit, in Bulacan, to San Isidro, Nueva Ecija, and Cabanatuan in the same province, a distance of 71 kilometers. The Commission has not yet considered the wisdom of granting such a franchise, but has set the hearing of the petition at an open session for November 17.

COASTWISE TRADE.

On October 18, 1902, by direction of the Commission, I sent a telegram to the Secretary of War requesting that the executive order with reference to the coastwise trade in the Philippine Islands should be so modified as to permit the Commission to open it to all foreign and American vessels; that the transportation rates were so high as to unduly raise the price of rice and other necessary commodities, and that there was a possible pool for the maintenance of such rates. It turns out that there is no pool in the sense of a division of profits, but it is a fact that the transportation rates have been advanced to a very high figure, though they were high before, and that this has been done by an agreement by all the persons engaged in the coastwise trade. As nearly all the steamers in the coastwise trade are owned either by Spaniards, Englishmen, or Chinamen, and as few, if any, Americans had seen fit to engage in this lucrative business, it did not occur to the Commission that there could be any objection to depriving the foreigners already in the business of the monopoly by allowing other foreigners to come into it. In view of the short food supply throughout the Islands, the high transportation rates have a most direct effect in increasing the suffering by increasing the cost of transporting food from Manila and other bases of supply to the provinces. A bill has therefore passed a second reading and is awaiting reading in open session throwing open the coastwise trade until July 1, 1904, to foreign vessels. It is thought that the privileges granted to foreign vessels are sufficiently safeguarded in the act to prevent their being abused.

IMPROVEMENT OF THE PORT.

The improvement of the port works has been begun this year in earnest and the amount of work accomplished will be seen by reference to the report of the engineer in charge, Major Sears, which is appended and marked Exhibit L.

It will be necessary, in addition to the breakwaters already projected, to erect a breakwater from two to three thousand feet in length to protect ships from the waves when the wind lies in a particularly southwesterly direction. This will increase the expense over the present contracts by about a million dollars, making the total cost upward of four millions.

CONSULTING ENGINEER.

The Consulting Engineer has been but recently appointed under a law defining his duties, but his office has not yet been organized, as it is expected to organize it, with a view to the supervision of provincial supervisors and the construction of public works in various parts of the Archipelago. The preliminary report of Mr. Beardsley, the Consulting Engineer, is hereto appended, marked Exhibit M.

NOVEMBER 10, 1902.

As this report has not yet been forwarded, it seems proper to me to add a short statement concerning a movement that may have an important bearing upon future conditions, and which may, perhaps, add much to the labor of maintaining peace and order in the Archipelago.

Gregorio Aglipay is an Ilocano and was an ordained priest of the Roman Catholic Church in these Islands before the insurrection. During the insurrection he continued his priestly functions at Malolos and took such action as to bring him into conflict with the hierarchy of the Church. What the merits of this controversy were I do not know. Subsequently he assumed the leadership of the insurrecto forces in Ilocos Norte and carried on a very active campaign in the mountains of that province. He was one of the last of the leaders to surrender with his forces in North Luzon. Since his surrender he has been quite active in spreading propaganda among the native priests against the so-called friar domination of the Church in these Islands. The definite refusal of the Vatican to withdraw the Spanish friars from the Islands was made the occasion for the formation of the Independent Filipino Catholic Church. Actively engaged with Aglipay in this movement was Isabelo de los Reyes, the former editor of an insurrecto paper published in Madrid called "Filipinas ante Europa," and an agitator of irresponsible and irrepressible character. Padre Aglipay has secured the active and open coöperation of a number of native priests, fifteen of whom he has appointed bishops, himself having the title of archbishop. He has held mass in many different places in and about Manila; his services have attracted large gatherings of people. Most of the churches in the Philippine Islands were built by the labor of the people of the respective parishes and de-

voted to the Roman Catholic Church; but the people have a sense of ownership, and when a majority of them separate themselves from the Roman Catholic Church and accept a new faith, it is difficult for them to understand that they have not the right at once to dispossess the priest of the Roman Catholic Church and place in custody and use of the edifice their newly made curé. In order to prevent constant recurrences of disturbances of the peace I have had to take a firm stand with the leaders of the movement by impressing upon them that forcible dispossession of a priest of the Roman Catholic Church, for years in peaceable possession of the church and the rector's house, is contrary to law, and would be prevented by the whole police power. The leaders of the movement assure me that they have no desire to violate the law and wish to keep within it; but that their followers at times are hard to control. I have said to them that if they claim title to the churches, they may assert it through the courts and, if successful, will secure not only the confirmation of their title but actual possession.

In the case of a church at Pandacan the women of the parish, in the temporary absence of the priest, took possession of the church, obtaining the keys, and Father Aglipay celebrated mass in the church. I sent for him and for his counsel and advised them of the unlawful character of the action of the women, and directed them to see that possession was restored. They promised to do so, but found the women so obdurate that I called in the women and, after a somewhat lengthy discussion, told them that I must have the keys. The leader of the women delivered the keys to me with a statement that they would deliver the keys to the Governor, but not to the Fraile. The new priest who had been appointed was not a Fraile, but was a Paulist Father. They announced to me that they had separated from the Roman Catholic Church and were standing with Aglipay. I turned the keys over to the Chief of Police and have put the regularly appointed priest in possession of the church, and quiet now reigns there. Yesterday (Sunday) I am informed that Father Aglipay assumed the robes and functions of an archbishop, holding services in the town of Cavite and in the neighborhood.

I have taken occasion to say, whenever an opportunity occurred, that the Insular Government desired to take no part whatever in the religious controversies thus arising; that it would protect Father Aglipay and his followers in worshiping God as they chose, just

as it would protect the Roman Catholic Church and its ministers and followers in the same rights. But that, if the law was violated by either party, it would become the duty of the Government to step in and restrain such lawlessness.

In the heat and zeal of religious controversies it is not always possible to prevent the followers of the movement at least from stepping beyond the law, and if the movement is to spread throughout the Archipelago, we may expect disturbances at various points.

The feeling against the friars, which has already been referred to in a number of reports, lends strength to this movement. The existence of the controversy at all, however, adds one more to the burdens of the Insular Government. There is great difficulty in maintaining a course by the Government which shall not only be absolutely impartial between contending religious factions, but which shall seem to both sides to be impartial.

(The exhibits referred to in this report are not yet printed.)

Respectfully,

Wm. H. TAFT,
Civil Governor.

The PHILIPPINE COMMISSION,

Manila, P. I.



